

U.S.-KOREA TRADE AGREEMENT

Kansas Farmers Will Benefit

December 2010

The U.S.-Korea Trade Agreement, known as the KORUS agreement, will immediately eliminate duties on nearly two-thirds of current U.S. agricultural exports to Korea and gives U.S. exporters improved access to the Korean market for many products that have been highly protected. The U.S. International Trade Commission estimates that annual U.S. agricultural exports to Korea will increase by a minimum of \$1.9 billion upon full implementation of the agreement.

The KORUS agreement eliminates tariffs and other barriers on most agricultural products, increasing export opportunities for a range of Kansas agricultural products, including beef, pork, wheat, and feed grains. Kansas's agricultural exports to all countries, estimated at \$4.7 billion in 2009, supported 37,600 jobs, on and off the farm. These export sales make an important contribution to the Kansas farm economy, which had total cash receipts of \$12 billion in 2009.

Cattle and Beef. Kansas's cattle and calf industry accounts for 46 percent of the state's farm cash receipts and generated earnings of \$5.5 billion in 2009. Kansas is also the nation's fourth largest exporter of live animals and meat with \$630 million in exports in 2009. Among the KORUS agreement's benefits to Kansas's beef industry:

- For beef muscle meats, the KORUS agreement provides a 15-year straight-line tariff phase out of the 40 percent tariff reaching duty-free access in Year 15.
- For beef offals and variety meats, the KORUS agreement provides a 15-year straight-line phase out of the 18 percent tariff reaching duty-free access in Year 15.

Wheat. Kansas is the nation's top wheat grower and exporter. Farm cash receipts were \$1.8 billion and exports were estimated at nearly \$1.2 billion in 2009. Under the KORUS agreement:

- An unlimited amount of U.S. wheat for milling can enter Korea duty free upon implementation of the agreement.
- Korea's imports of U.S. wheat will no longer be subject to Korea's 1.8-percent tariff or the tariff of 1-percent under its autonomous tariff-rate quota (TRQ).
- Although this tariff differential may be small, it provides a small tariff advantage when competing against Canada and Australia.

Feed Grains. Kansas is the nation's fifth largest exporter of feed grains, \$877 million in 2009. Corn was the state's third largest source of farm cash receipts at \$1.7 billion in 2009. The KORUS agreement will provide many benefits to the feed grains industry.

- U.S. exports of corn for feed are guaranteed to enter at zero duty immediately. Korea is currently the third largest market for U.S. corn for feed.
- The agreement includes a new 93,774-ton duty-free TRQ for corn for processing that grows quickly to 393,849 tons by year 7, after which quantities will be unrestricted.

Soybeans and Products. Soybeans are the fourth leading source of farm cash receipts at \$1.3 billion in 2009, and Kansas soybean producers will benefit from this agreement. Under the KORUS agreement:

- The greatest potential benefit for the soybean sector is likely to come from improved access to Korea's 300,000-metric ton market for food-quality soybeans. Korea has agreed to immediately eliminate its 5-percent applied tariff on food-use soybeans. In addition, Korea will establish a duty-free TRQ starting at 10,000 metric tons for identity-preserved soybeans for food use. This quota will operate outside the current state trading entity, which has charged a reported \$250 per ton markup on soybean imports supplied to soybean curd processors.
- Soybeans imports for crushing will enter duty-free upon implementation of the agreement, removing the 1-percent applied tariff.
- Korean tariffs on imports of crude soybean oil, the majority of Korea's soybean oil imports, will decline from the current 5.4-percent tariff over 10 years. Refined oil tariff rates will decline from the current 5.4 percent in five equal annual reductions. Korea's 3-percent tariff on soybean flour and meal will immediately go to zero.

Hogs and Pork. Kansas hog farmers had cash receipts of \$365 million in 2009. Among the KORUS agreement's benefits to Kansas's hog farmers:

- Korea's tariffs on imports of more than 90 percent of U.S. pork products will become duty free on January 1, 2016 or sooner. This includes all frozen pork products as well as some fresh and processed pork products.
- Date-certain duty-free access will enhance the competitiveness of U.S. pork compared to product from the European Union and Canada.

Selected Agricultural Product Exports For FY 2009 (Oct. 2008-Sept. 2009)		
Product	U.S. to World	Kansas to World
Cattle and Beef	\$6,703,000,000	\$630,000,000
Wheat	\$8,598,000,000	\$1,172,000,000
Feed Grains	\$11,979,000,000	\$877,000,000
Soybeans and Products	\$17,709,000,000	\$847,000,000
Hogs and Pork	\$2,204,000,000	\$41,000,000
Agricultural Total	\$96,632,000,000	\$4,705,000,000

Compiled by ERS using data from Census Bureau, Commerce and NASS.

Note: All State export figures used herein are estimated on a fiscal year basis (October-September) by USDA's Economic Research Service (ERS); all State cash receipt figures are compiled by USDA's National Agricultural Statistics Service (NASS) and ERS on a calendar year basis.

For questions about the U.S.-Korea Trade Agreement and its impact on U.S. agriculture, please contact FAS Legislative and Public Affairs at (202)720-7115 or LPA@fas.usda.gov.